



## State of Utah

### Department of Natural Resources

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas & Mining

MARY ANN WRIGHT  
*Acting Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

May 3, 2005

Mrs. Karen Palmer  
Diamond K Gypsum  
1720 South Red Hills Drive  
Richfield, Utah 84701

Subject: Approval of Updated Reclamation Surety, Diamond K Gypsum, DKG Quarry, M/015/041, Emery County, Utah

Dear Mrs. Palmer:

Thank you for providing a new letter of credit replacement reclamation bond for your DKG Quarry. The amount of the bond has been increased from \$33,100 to \$47,900. The following criteria were included in calculating the bond:

1. Approval of grading. An area of 16.41 acres has been regraded, and the Division and the BLM have agreed that the grading work is adequate. No money was retained in the bond for regrading these areas, but revegetation is not yet adequate for full release.
2. Escalation of the bond to 2010 dollars.
3. Addition of 1.49-acre area. The bond amount includes this new area, but neither the Division nor the BLM has approved mining in this area.
4. The road comprises 1.36 acres, and the active mine area, including the area being mined, soil and overburden storage areas, and equipment storage areas, totals 4.51 acres.

Enclosed with this letter are the original copy of your former reclamation contract, a copy of the current reclamation contract and the Wells Fargo amendment showing the increase in the surety amount. The Division will retain the original current reclamation contract until it is replaced or officially released. Your former letter of credit has been returned to Zions Bank.

Karen Palmer  
Page 2 of 2  
M/015/041  
May 3, 2005

Thank you for your cooperation in finalizing this action.

Sincerely,

A handwritten signature in black ink that reads "Susan M. White". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Susan M. White  
Mining Program Coordinator  
Minerals Regulatory Program

SMW:PBB:jb

Enclosure: #1 - Original former reclamation contract

#2 - Copy of current reclamation contract & surety amendment

cc: Angela Wadman, Price BLM w/Encl #2

O:\M015-Emery\M0150041-DiamondK\final\apvl-bond-05032005.doc

FORM MR-RC  
Revised January 21, 2005  
RECLAMATION CONTRACT

ENTITY #  
1258952-0142

File Number M/015/041

Effective Date May 2, 2005

Other Agency File Number UTU-69860

COPY

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5291  
Fax: (801) 359-3940

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APR 21 2005

RECLAMATION CONTRACT

---ooOoo---

DIV OF OIL GAS & MINING

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)  
(Mineral Mined)

M/015/041

Gypsum

"MINE LOCATION":

(Name of Mine)

(Description)

DKG Quarry

Approximately 2 miles from exit

114 off I-70. Approximately

14 miles southeast of Moore.

"DISTURBED AREA":

(Disturbed Acres)

(Legal Description)

22.28 acres

(Refer to Attachment A)

"OPERATOR":

(Company or Name)

(Address)

Diamond K Gypsum Inc

1720 South Red Hills Drive

Richfield UT 84701

(Phone)

(800) 497-7861

COPY

**"OPERATOR'S REGISTERED AGENT":**

Name)  
(Address)

(Phone)

Karen Palmer

1720 South Red Hills Dr.

Richfield, UT 84701

(800) 497-7881

**"OPERATOR'S OFFICER(S) & TITLE:**

Karen Palmer, President, CEO

JOHN A. Reeves, Jr., Vice President

Kristi Allred, Secretary-Treasurer

**SURETY:**

(Form of Surety - Attachment B)

Letter of Credit

**"SURETY COMPANY":**

(Name, Policy or Acct. No.)

Wells Fargo Bank

**"SURETY AMOUNT":**

(Excluded Dollars)

\$27,900

KP

**"ESCALATION YEAR":**

2010

KP

**"STATE":**

**"DIVISION":**

**"BOARD":**

State of Utah

Division of Oil, Gas and Mining

Board of Oil, Gas and Mining

**ATTACHMENTS:**

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Diamond K Gypsum, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. K/015/041 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

Page 2 of 7  
Approved by D. E. Egan  
Form 10-100

I accept the changes as initialed

Karen Palmer

4-21-05

copy

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Reclamation Plan and/or Notice of Intention approved/accepted by the Division on November 30, 1994. The Reclamation Plan and/or Notice of Intention, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

COPY

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

COPY

OPERATOR:

Diamond K Gypsum Inc.

Operator Name

By Karen Palmer

Authorized Officer (Typed or Printed)

President

Authorized Officer - Position

Karen Palmer  
Officer's Signature

4-20-05  
Date

STATE OF Utah )  
COUNTY OF Sevier ) ss:

On the 20<sup>th</sup> day of April, 2005, Karen Palmer personally appeared before me, who being by me duly sworn did say that ~~he~~she is the President of Diamond K Gypsum and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said Karen Palmer duly acknowledged to me that said company executed the same.

Keith Kimball  
Notary Public  
Residing at Richfield ut  
6-24-2007  
My Commission Expires:



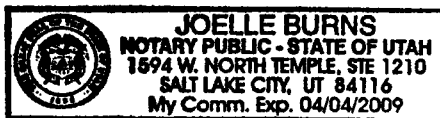
DIVISION OF OIL, GAS AND MINING:

By Mary Ann Wright  
Mary Ann Wright, Acting Director

May 2, 2005  
Date

STATE OF Utah  
COUNTY OF Salt Lake ) ss:

On the 2<sup>nd</sup> day of May, 2005, Mary Ann Wright  
personally appeared before me, who being duly sworn did say that she, the said  
Mary Ann Wright is the Acting Director of the Division of Oil, Gas and  
Mining, Department of Natural Resources, State of Utah, and she duly acknowledged to  
me that she executed the foregoing document by authority of law on behalf of the State  
of Utah.



Joelle Burns  
Notary Public  
Residing at: SLC Utah

April 4, 2009  
My Commission Expires:

04/20/05 11:01 FAX 886 8893

ATTACHMENT "A"

Diamond K Gypsum, Inc.

Operator

M/015/041

Permit Number

DKG Quarry

Mine Name

Smery

County, Utah

**LEGAL DESCRIPTION**

*Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 300 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Restoration Contract and surety.*

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 22.28 acres under the approved / accepted permit and surety, as reflected on the attached map labeled Attachment C and dated March 20, 2005.

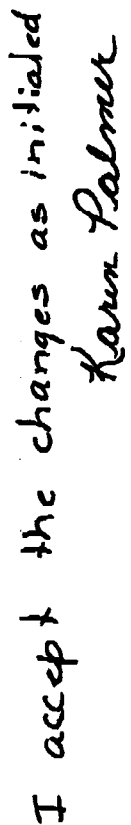
SW1/4, Section 29, T22S, R9E

KP

I accept the changes as initialed  
Karen Palmer  
4-21-05

Scale: 0 feet 500 feet

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APR 25 2005



Operations Group  
Northern California  
One Front Street, 21st Floor  
San Francisco, CA 94111



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PAGE: 1

DATE: APRIL 18, 2005

AMENDMENT TO CREDIT NO.

AMENDMENT NUMBER: 1

APPLICANT:  
DIAMOND K GYPSUM, INC  
1600 SOUTH REDHILLS ROAD  
RICHFIELD, UT 84701

BENEFICIARY:  
STATE OF UTAH  
DIVISION OF OIL GAS AND MINING  
1594 WEST NORTH TEMPLE  
SALT LAKE CITY, UTAH 84114-5801

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APR 19 2005

DIV OF OIL GAS & MINING

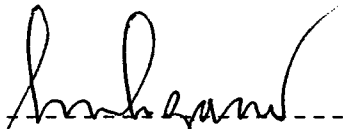
THIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE CREDIT AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

THE AMOUNT OF THIS CREDIT HAS BEEN INCREASED BY USD 14,800.00.

THE AMOUNT OF THE CREDIT ISSUED NOW TOTALS USD 47,900.00.

ALL OTHER TERMS UNCHANGED.

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AUTHORIZED SIGNATURE  
SOCCI LOZANO  
ASSISTANT VICE PRESIDENT

PLEASE CONTACT AMY V. MARIO BY TELEPHONE AT 415-396-6209 OR BY FAX AT (415)296-8905 OR OUR HELPLINE AT 1-800-798-2815 OPTION 1 REGARDING ANY INQUIRIES.